

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY MEXICO

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E.O. 11652: N/A

TAGS: BEXP, MX

SUBJECT: LAS TRUCHAS STEEL MILL EXPANSION

REF: MEXICO 2658, MEXICO A-523

1. WE RECEIVED A GENERALLY FAVORABLE RESPONSE TO OUR INITIAL CONTACTS WITH INDUSTRY REGARDING THE PHASE II EXPANSION. AS THE SECOND PHASE IS ORIENTED MORE TOWARD THE FINISHING END OF THE MILL WE EXPECT THAT THE MAJOR U.S. ROLLING MILL COMPANIES WHO WERE NOT INVOLVED IN PHASE I WILL BE MAJOR COMPETITORS ON PHASE II. AMERICAN PARTICIPATION ON THE BLAST FURNACE, BOF SHOP AND THE OTHER MODULES WHICH ARE MERELY AN EXTENSION OF PHASE I WILL BE GREATLY AFFECTED BY THE EXTENT TO WHICH THE UNCLASSIFIED

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MEXICANS DECIDE TO DUPLICATE PREVIOUS PROCUREMENT.

2. WE WOULD APPRECIATE ANY INFORMATION OR INSIGHT
EMBASSY HAS ON THE FOLLOWING SINCE THIS INFORMATION WILL
HAVE A MAJOR EFFECT ON INDUSTRY'S DETERMINATION TO
RESPOND

--- A) WHAT ROLE WILL BRITISH STEEL PLAY
--- IN THE PHASE II PROGRAM. WILL THERE
--- BE A CONTRACT FOR AN ENGINEER-
--- ARCHITECT/PROJECT MANAGER AND WHAT
--- ARE THE OPPORTUNITIES FOR U.S. FIRMS.
--- WHAT DID SICARTSA OFFICIALS MEAN BY
--- THEIR STATEMENT IN REFAIR THAT THEY
--- WOULD DEAL DIRECTLY WITH FOREIGN
--- CONTRACTORS AND THAT THE IDEAL FOR
--- THEM ON PHASE II WOULD BE TECHNICAL
--- APPRENTICESHIP WITH TURNKEY EFFICIENCY;

--- B) HOW WILL FINANCING BE STRUCTURED.
--- WILL THERE AGAIN BE DISTINCTION
--- BETWEEN MODULES BID USING BILATERAL
--- FINANCING AND MODULES USING IBRD/IDB
--- FUNDS. IF SO HOW WILL THE PACKAGES
--- BE DIVIDED;

--- C) WHAT WILL BE THE MAKEUP OF THE ENGINEERED
--- PACKAGES. WE PRESUME MEXICANS WILL
--- CONSOLIDATE THE PROJECT COMPONENTS
--- LISTED IN REFTEL INTO TEN TO TWELVE
--- MAJOR ENGINEERED PACKAGES. ON WHICH
--- PACKAGES WILL BIDDER BE REQUIRED TO
--- INCLUDE CIVIL ENGINEERING AND ERECTION;

--- D) WHAT IS DURRENT OUTLOOK FOR TIMETABLE
--- FOR COMPLETION OF THE PROJECT;

--- E) WILL THE MEXICANS BE WILLING TO ACCEPT
--- COST REIMBURSABLE CONTRACTS. IF NOT
--- WHAT FORM OF CONTRACT WILL BE
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--- ACCEPTABLE;

--- F) HOW WILL THE ACTUAL BIDDING BE PERFORMED;
--- SINGLE OR TWO ENVELOPE SYSTEM.

3. OF INTEREST TO US IS EMBASSY'S COMMENT IN REFTEL
THAT INDICATIONS ARE SICARTSA IS SOMEWHAT MORE SERIOUS
ABOUT SEEKING U.S. SUPPLIERS ON THIS ROUND. CONSIDER-
ING THE POOR U.S. RECEPTION ON THE INITIAL STAGE WE
ARE CONCERNED THAT THE MEXICANS MAY CONTINUE THE

PATTERN OF PROCURING FROM NON-U.S. SOURCES IF GIVEN
THE OPPORTUNITY. THEREFORE WE HESITATE TO ACTIVELY

ENCOURAGE U.S. FIRMS TO RESPOND AND SPEND THE REQUIRED
PROPOSAL MONIES WITHOUT ASSURANCES FROM SICARTSA THAT
AMERICAN PROPOSALS WILL BE JUDGED ON AN EQUAL BASIS
WITH THOSE OF OTHER COUNTRIES. FURTHERMORE WE
EXPECT PROBLEMS WILL ARISE CONCERNING THE BIDDING
GUIDELINES AND THE FINANCING ARRANGEMENTS. WITH
THESE CONCERNS WE ANTICIPATE INDUSTRY WILL REQUEST
STRONG USG SUPPORT FOR THEIR PROPOSALS. IT IS NOT
ENTIRELY CLEAR AS TO HOW WE CAN BEST SUPPORT EMBASSY'S
PROGRAM AND THEREFORE WE WOULD APPRECIATE ASSESSMENT
REGARDING A USG APPROACH WHICH WILL MAXIMIZE AMERICAN
INVOLVEMENT.
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